



Congressional Oversight Panel

March 11,
2010

Accounting for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight
Panel's March 2010 report, "The Unique
Treatment of GMAC Under the TARP."

The TARP as a Whole

Each month, the Panel summarizes the resources that the federal government has committed to economic stabilization. The following financial update provides: (1) an updated accounting of the TARP, including a tally of dividend income, repayments, and warrant dispositions that the program has received as of February 25, 2010; and (2) an updated accounting of the full federal resource commitment as of February 25, 2010.

1. The TARP

a. Costs: Expenditures and Commitments

Treasury has committed or is currently committed to spend \$520.3 billion of TARP funds through an array of programs used to purchase preferred shares in financial institutions, offer loans to small businesses and automotive companies, and leverage Federal Reserve loans for facilities designed to restart secondary securitization markets.⁵⁶⁸ Of this total, \$290.5 billion is currently outstanding under the \$698.7 billion limit for TARP expenditures set by EESA, leaving \$408.2 billion available for fulfillment of anticipated funding levels of existing programs and for funding new programs and initiatives. The \$290.5 billion includes purchases of preferred and common shares, warrants and/or debt obligations under the CPP, AIGIP/SSFI Program, PPIP, and AIFP; and a \$20 billion loan to TALF LLC, the special purpose vehicle (SPV) used to guarantee Federal Reserve TALF loans.⁵⁶⁹ Additionally, Treasury has allocated \$36.9 billion to the Home Affordable Modification Program, out of a projected total program level of \$48.5 billion.

b. Income: Dividends, Interest Payments, CPP Repayments, and Warrant Sales

As of February 25, 2009, a total of 65 institutions have completely repurchased their CPP preferred shares. Of these institutions, 39 have repurchased their warrants for common shares that Treasury received in conjunction with its preferred stock investments; Treasury sold the warrants for common shares for three other institutions at auction.⁵⁷⁰ Treasury received \$7.9 billion in repayments from six CPP participants during February. The largest repayment was the \$7.6 billion repaid by PNC Financial Services Group. Treasury also accounted for losses under the CPP for two of the three bankrupt institutions participating in the program: CIT Group and

⁵⁶⁸EESA, as amended by the Helping Families Save Their Homes Act of 2009, limits Treasury to \$698.7 billion in purchasing authority outstanding at any one time as calculated by the sum of the purchases prices of all troubled assets held by Treasury. Pub. L. No. 110-343, § 115(a)-(b); Helping Families Save Their Homes Act of 2009, Pub. L. No. 111-22, § 402(f) (reducing by \$1.26 billion the authority for the TARP originally set under EESA at \$700 billion).

⁵⁶⁹ Treasury Transactions Repot, *supra* note 264.

⁵⁷⁰ Treasury Transactions Repot, *supra* note 264.

Pacific Coast National Bancorp. These two institutions received a total of \$2.3 billion in funds under the CPP.⁵⁷¹ In addition, Treasury receives dividend payments on the preferred shares that it holds, usually five percent per annum for the first five years and nine percent per annum thereafter.⁵⁷² Net of these losses under the CPP, Treasury has received approximately \$18.8 billion in income from warrant repurchases, dividends, interest payments, and other considerations deriving from TARP investments,⁵⁷³ and another \$1.2 billion in participation fees from its Guarantee Program for Money Market Funds.⁵⁷⁴

⁵⁷¹ Treasury Transactions Repot, *supra* note 264.

⁵⁷² See, e.g., U.S. Department of the Treasury, *Securities Purchase Agreement: Standard Terms* (online at www.financialstability.gov/docs/PPP/spa.pdf) (accessed Mar. 4, 2010).

⁵⁷³ Treasury Transactions Repot, *supra* note 264; U.S. Department of the Treasury, *Cumulative Dividends and Interest Report as of December 31, 2009* (Jan. 20, 2010) (online at www.financialstability.gov/docs/dividends-interest-reports/December%202009%20Dividends%20and%20Interest%20Report.pdf); Treasury Transactions Repot, *supra* note 264.

⁵⁷⁴ For CPP investments in privately-held institutions, Treasury received warrants to purchase additional preferred shares. This option was exercised immediately and, as of February 25, 2010, six privately held institutions redeemed the additional preferred shares associated with the warrants provided to Treasury. U.S. Department of the Treasury, *Treasury Announces Expiration of Guarantee Program for Money Market Funds* (Sept. 18, 2009) (online at www.treasury.gov/press/releases/tg293.htm).

c. TARP Accounting

Figure 24: TARP Accounting (as of February 25, 2010)⁵⁷⁵

TARP Initiative	Anticipated Funding (billions of dollars)	Actual Funding (billions of dollars)	Total Repayments/ Reduced Exposure (billions of dollars)	Funding Outstanding (billions of dollars)	Funding Available (billions of dollars)
Capital Purchase Program (CPP) ⁵⁷⁶	\$204.9	\$204.9	\$129.8	⁵⁷⁷ \$75.1	\$0
Targeted Investment Program (TIP) ⁵⁷⁸	40.0	40.0	40	0	0
AIG Investment Program (AIGIP)/Systemically Significant Failing Institutions Program (SSFI)	69.8	⁵⁷⁹ 46.9	0	46.9	22.9
Automobile Industry Financing Program (AIFP)	81.3	81.3	3.2	78.2	0
Asset Guarantee Program (AGP) ⁵⁸⁰	5.0	5.0	⁵⁸¹ 5.0	0	0
Capital Assistance Program	0	0	0	0	0

⁵⁷⁵ Treasury Transactions Repot, *supra* note 264.

⁵⁷⁶ As of December 31, 2009, the CPP was closed. U.S. Department of the Treasury, *FAQ on Capital Purchase Program Deadline* (online at www.financialstability.gov/docs/FAQ%20on%20Capital%20Purchase%20Program%20Deadline.pdf).

⁵⁷⁷ Treasury classified the investments it made in two institutions, CIT Group (\$2.3 billion) and Pacific Coast National Bancorp (\$4.1 million), as losses on the Transactions Report. Therefore Treasury's net current CPP investment is \$72.7 billion due to the \$2.3 billion in losses thus far. Treasury Transactions Repot, *supra* note 264.

⁵⁷⁸ Both Bank of America and Citigroup repaid the \$20 billion in assistance each institution received under the TIP on December 9 and December 23, 2009, respectively. Therefore the Panel accounts for these funds as repaid and uncommitted. U.S. Department of the Treasury, *Treasury Receives \$45 Billion in Repayments from Wells Fargo and Citigroup* (Dec. 23, 2009) (online at www.treas.gov/press/releases/20091229716198713.htm) (hereinafter "Treasury Receives \$45 Billion from Wells Fargo and Citigroup").

⁵⁷⁹ Data provided by Treasury in response to a Panel request. AIG has completely utilized the \$40 billion made available on November 25, 2008 and has drawn-down \$5.3 billion of the \$29.8 billion made available on April 17, 2009. This figure also reflects \$1.6 billion in accumulated but unpaid dividends owed by AIG to Treasury due to the restructuring of Treasury's investment from cumulative preferred shares to non-cumulative shares. Treasury Transactions Repot, *supra* note 264.

⁵⁸⁰ Treasury, the Federal Reserve, and the Federal Deposit Insurance Company terminated the asset guarantee with Citigroup on December 23, 2009. The agreement was terminated with no losses to Treasury's \$5 billion second-loss portion of the guarantee. Citigroup did not repay any funds directly, but instead terminated Treasury's outstanding exposure on its \$5 billion second-loss position. As a result, the \$5 billion is now counted as available. Treasury Receives \$45 Billion from Wells Fargo and Citigroup, *supra* note 578.

⁵⁸¹ Although this \$5 billion is no longer exposed as part of the AGP and is accounted for as available, Treasury did not receive a repayment in the same sense as with other investments. Treasury did receive other income as consideration for the guarantee, which is not a repayment and is accounted for in Figure 25.

(CAP) ⁵⁸²					
Term Asset-Backed Securities Lending Facility (TALF)	20.0	20.0	0	20.0	0
Public-Private Investment Partnership (PPIP) ⁵⁸³	30.0	30.0	0	30.0	0
Auto Supplier Support Program (ASSP)	⁵⁸⁴ 3.5	3.5	0	3.5	0
Unlocking SBA Lending	15.0	0	0	0	15.0
Home Affordable Modification Program (HAMP)	⁵⁸⁵ 48.5	⁵⁸⁶ 36.9	0	36.9	11.6
Community Development Capital Initiative (CDCI)	⁵⁸⁷ 0.78	0	0	0	0.78
Help for Hardest Hit Housing Markets (4HM) ⁵⁸⁸	1.5	0	0	0	1.5
Total Committed	520.3	468.5	–	290.5	51.8

⁵⁸² On November 9, 2009, Treasury announced the closing of this program and that only one institution, GMAC, was in need of further capital from Treasury. GMAC received an additional \$3.8 billion in capital through the AIFP on December 30, 2009. Treasury Announcement Regarding the CAP, *supra* note 240; Treasury Transactions Repot, *supra* note 264.

⁵⁸³ On January 29, 2010, Treasury released its first quarterly report on the Legacy Securities Public-Private Investment Program. As of that date, the total value of assets held by the PPIP managers was \$3.4 billion. Of this total, 87 percent was non-agency Residential Mortgage-Backed Securities and the remaining 13 percent was Commercial Mortgage-Backed Securities. U.S. Department of the Treasury, *Legacy Securities Public-Private Investment Program* (Jan. 29, 2010) (online at www.financialstability.gov/docs/External%20Report%20-%202012-09%20FINAL.pdf).

⁵⁸⁴ On July 8, 2009, Treasury lowered the total commitment amount for the program from \$5 billion to \$3.5 billion. This action reduced GM's portion from \$3.5 billion to \$2.5 billion and Chrysler's portion from \$1.5 billion to \$1 billion. GM Supplier Receivables LLC, the special purpose vehicle created to administer this program for GM suppliers, has made \$240 million in partial repayments. This was a partial repayment of funds that were drawn down and did not reduce Treasury's \$3.5 billion in total exposure under the ASSP. Treasury Transactions Repot, *supra* note 264.

⁵⁸⁵ In information provided to TARP oversight bodies, Treasury has stated that the \$1.5 billion for the newly created "Help for Hardest Hit Housing Markets" will be taken from the \$50 billion in TARP funding committed to foreclosure mitigation.

⁵⁸⁶ This figure reflects the total of all the caps set on payments to each mortgage servicer and not the disbursed amount of funds for successful modifications. Treasury Transactions Repot, *supra* note 264. In response to a Panel inquiry, Treasury disclosed that, as of January 10, 2010, \$32 million in funds had been disbursed under the HAMP.

⁵⁸⁷ On February 3, 2010, the Administration announced a new initiative under TARP to provide low-cost financing for Community Development Financial Institutions (CDFIs). Under this program, CDFIs are eligible for capital investments at a 2 percent dividend rate as compared to the 5 percent dividend rate under the CPP. In response to a Panel request, Treasury stated that it projects the CDCI program to utilize \$780.2 million; U.S. Department of the Treasury, *Community Development Capital Initiative* (Feb. 18, 2010) (online at www.financialstability.gov/roadtostability/comdev.html).

⁵⁸⁸ On February 19, 2010, President Obama announced 4HM, a plan to use \$1.5 billion of the \$50 billion in TARP funds allocated to HAMP to assist the five states with the highest home price declines stemming from the foreclosure crisis: Nevada, California, Florida, Arizona, and Michigan. President Announced Help for Housing Markets, *supra* note 552. For further discussion of this initiative, see Section Four of this report.

Total Uncommitted	178.4	N/A	178.0	N/A	⁵⁸⁹ 356.4
Total	\$698.7	\$468.5	\$178.0	\$290.5	\$408.2

Figure 25: TARP Profit and Loss

TARP Initiative	Dividends ⁵⁹⁰ (as of 1/31/10) (millions of dollars)	Interest ⁵⁹¹ (as of 1/31/10) (millions of dollars)	Warrant Repurchases (as of 3/4/10) (millions of dollars)	Other Proceeds (as of 2/25/10) (millions of dollars)	Losses ⁵⁹² as of 2/25/10 (millions of dollars)	Total (millions of dollars)
Total	\$12,502	\$478	\$5,587	\$2,531	(\$2,334)	\$18,764
CPP	8,283	18	⁵⁹³ 5,572	—	(2,334)	11,539
TIP	3,004	N/A	0	—		3,004
AIFP	936	443	15	—		1,394
ASSP	N/A	13	N/A	—		13
AGP	277	N/A	0	⁵⁹⁴ 2,234		2,511
PPIP	2	4	N/A	21		27
Bank of America Guarantee	—	—	—	⁵⁹⁵ 276		276

⁵⁸⁹ This figure is the sum of the uncommitted funds remaining under the \$698.7 billion cap (\$178.4 billion) and the repayments (\$178 billion).

⁵⁹⁰ OFS Cumulative Dividends Report as of January 31, 2010, *supra* note 531.

⁵⁹¹ OFS Cumulative Dividends Report as of January 31, 2010, *supra* note 531.

⁵⁹² Treasury classified the investments it made in two institutions, CIT Group (\$2.3 billion) and Pacific Coast National Bancorp (\$4.1 million), as losses on the Transactions Report. A third institution, UCBH Holdings, Inc., received \$299 million in TARP funds and is currently in bankruptcy proceedings. Treasury Transactions Repot, *supra* note 264.

⁵⁹³ This figure is comprised of the \$4.03 billion in proceeds from warrant dispositions as of February 25, 2010, and the \$1.54 billion in funds from the auction of Bank of America warrants completed on March 4, 2010. Treasury Transactions Repot, *supra* note 264; U.S. Department of the Treasury, *Treasury Department Announces Public Offerings of Warrants to Purchase Common Stock of Bank of America Corporation* (Mar. 4, 2010) (online at www.financialstability.gov/latest/pr_03042010.html).

⁵⁹⁴ Treasury received \$4.03 billion in Citigroup preferred stock and warrants as a fee for taking a second-loss position up to \$5 billion on a \$301 billion pool of ring-fenced Citigroup assets as part of the AGP; Treasury exchanged these preferred stocks for TruPs in June 2009. Following the early termination of the guarantee, Treasury cancelled \$1.8 billion of the TruPs, leaving Treasury with a \$2.23 billion investment in Citigroup TruPs in exchange for the guarantee. At the end of Citigroup's participation in the FDIC's TLGP, the FDIC may transfer \$800 million of \$3.02 billion in Citigroup Trust Preferred Securities it received in consideration for its role in the AGP to the Treasury. Treasury Transactions Repot, *supra* note 264.

⁵⁹⁵ Although Treasury, the Federal Reserve, and the FDIC negotiated with Bank of America regarding a similar guarantee, the parties never reached an agreement. In September 2009, Bank of America agreed to pay each of the prospective guarantors a fee as though the guarantee had been in place during the negotiations. This agreement resulted in payments of \$276 million to Treasury, \$57 million to the Federal Reserve, and \$92 million to the FDIC. U.S. Department of the Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Bank of America Corporation, *Termination Agreement*, at 1-2 (Sept. 21, 2009) (online at www.financialstability.gov/docs/AGP/BofA%20-%20Termination%20Agreement%20-%20executed.pdf).

d. Rate of Return

As of March 4, 2010, the average internal rate of return for all financial institutions that participated in the CPP and fully repaid the U.S. government (including preferred shares, dividends, and warrants) is 10.6 percent. The internal rate of return is the annualized effective compounded return rate that can be earned on invested capital.

e. TARP Warrant Disposition

Figure 26: Warrant Repurchases for Financial Institutions who have Fully Repaid CPP Funds as of March 4, 2010

Institution	Investment Date	QEO	Warrant Repurchase Date	Warrant Repurchase/Sale Amount	Panel's Best Valuation Estimate at Repurchase Date	Price/Estimate Ratio	IRR
Old National Bancorp	12/12/2008	No	5/8/2009	1,200,000	2,150,000	0.5581	9.30%
Iberiabank Corporation	12/5/2008	Yes	5/20/2009	1,200,000	2,010,000	0.5970	9.40%
Firstmerit Corporation	1/9/2009	No	5/27/2009	5,025,000	4,260,000	1.1796	20.30%
Sun Bancorp, Inc	1/9/2009	No	5/27/2009	2,100,000	5,580,000	0.3763	15.30%
Independent Bank Corp.	1/9/2009	No	5/27/2009	2,200,000	3,870,000	0.5685	15.60%
Alliance Financial Corporation	12/19/2008	No	6/17/2009	900,000	1,580,000	0.5696	13.80%
First Niagara Financial Group	11/21/2008	Yes	6/24/2009	2,700,000	3,050,000	0.8852	8.00%
Berkshire Hills Bancorp, Inc.	12/19/2008	No	6/24/2009	1,040,000	1,620,000	0.6420	11.30%
Somerset Hills Bancorp	1/16/2009	No	6/24/2009	275,000	580,000	0.4741	16.60%
SCBT Financial Corporation	1/16/2009	No	6/24/2009	1,400,000	2,290,000	0.6114	11.70%
HF Financial Corp	11/21/2008	No	6/30/2009	650,000	1,240,000	0.5242	10.10%
State Street	10/28/2008	Yes	7/8/2009	60,000,000	54,200,000	1.1070	9.90%
U.S. Bancorp	11/14/2008	No	7/15/2009	139,000,000	135,100,000	1.0289	8.70%
The Goldman Sachs Group, Inc.	10/28/2008	No	7/22/2009	1,100,000,000	1,128,400,000	0.9748	22.80%
BB&T Corp.	11/14/2008	No	7/22/2009	67,010,402	68,200,000	0.9826	8.70%
American Express Company	1/9/2009	No	7/29/2009	340,000,000	391,200,000	0.8691	29.50%
Bank of New York Mellon Corp	10/28/2008	No	8/5/2009	136,000,000	155,700,000	0.8735	12.30%
Morgan Stanley	10/28/2008	No	8/12/2009	950,000,000	1,039,800,000	0.9136	20.20%
Northern Trust Corporation	11/14/2008	No	8/26/2009	87,000,000	89,800,000	0.9688	14.50%
Old Line Bancshares Inc.	12/5/2008	No	9/2/2009	225,000	500,000	0.4500	10.40%
Bancorp Rhode Island, Inc.	12/19/2008	No	9/30/2009	1,400,000	1,400,000	1.0000	12.60%
Centerstate Banks of Florida Inc.	11/21/2008	No	10/28/2009	212,000	220,000	0.9636	5.90%
Manhattan Bancorp	12/5/2008	No	10/14/2009	63,364	140,000	0.4526	9.80%
Bank of Ozarks	12/12/2008	No	11/24/2009	2,650,000	3,500,000	0.7571	9.00%
Capital One Financial	11/14/2008	No	12/3/2009	148,731,030	232,000,000	0.6411	12.00%
JP Morgan Chase & Co.	10/28/2008	No	12/10/2009	950,318,243	1,006,587,697	0.9441	10.90%
TCF Financial Corp	1/16/2009	No	12/16/2009	9,599,964	11,825,830	0.8118	11.00%
LSB Corporation	12/12/2008	No	12/16/2009	560,000	535,202	1.0463	9.00%

Wainwright Bank & Trust Company	12/19/2008	No	12/16/2009	568,700	1,071,494	0.5308	7.80%
Wesbanco Bank, Inc.	12/5/2008	No	12/23/2009	950,000	2,387,617	0.3979	6.70%
Union Bankshares Corporation	12/19/2008	Yes	12/23/2009	450,000	1,130,418	0.3981	5.80%
Trustmark Corporation	11/21/2008	No	12/30/2009	10,000,000	11,573,699	0.8640	9.40%
Flushing Financial Corporation	12/19/2008	Yes	12/30/2009	900,000	2,861,919	0.3145	6.50%
OceanFirst Financial Corporation	1/16/2009	Yes	2/3/2010	430,797	279,359	1.5421	6.20%
Monarch Financial Holdings, Inc.	12/19/2008	Yes	2/10/2010	260,000	623,434	0.4170	6.70%
Bank of America	²⁹ 10/28/2008	No	3/3/2010	1,542,717,553	1,006,416,684	1.5329	6.50%
	³⁰ 1/9/2009						
	³¹ 1/14/2009						
Total				\$5,567,737,053	\$5,373,683,352	1.0361	10.60%

²⁹ Investment date for Bank of America in CPP.

³⁰ Investment date for Merrill Lynch in CPP.

³¹ Investment date for Bank of America in TIP.

Figure 27: Warrant Valuation of Remaining Warrants

	Warrant Valuation (millions of dollars)		
	Low Estimate	High Estimate	Best Estimate
Stress Test Financial Institutions with Warrants Outstanding:			
Wells Fargo & Company	\$511.52	\$2,184.69	\$668.21
Citigroup, Inc.	17.33	660.59	144.36
The PNC Financial Services Group, Inc.	116.03	402.14	183.17
SunTrust Banks, Inc.	20.53	278.35	95.02
Regions Financial Corporation	15.30	166.93	69.56
Fifth Third Bancorp	122.37	385.90	179.47
Hartford Financial Services Group, Inc.	812.43	1,017.87	812.43
KeyCorp	20.31	164.16	60.62307167
All Other Banks with Outstanding Warrants	874.40	2,711.59	1,671.03
Total	\$2,510.23	\$7,972.22	\$3,883.87